

United States Senate

WASHINGTON, DC 20510

December 7, 2004

Hon. David M. Walker
Comptroller General of the United States
GAO Building
441 G Street, NW
Washington DC, 20548

Dear Mr. Walker,

I write today to bring to your attention to a situation involving Southeast Airlines' termination and its passengers who are seeking refunds for their outstanding tickets. In light of this confusion, I am asking you to investigate the current laws protecting passengers who hold outstanding tickets when an airline ceases operations, and what, if any, procedures the major legacy carriers have in place to protect their customers in the event of Chapter 7 bankruptcy.

As you may know, last week, Southeast Airlines suddenly ceased operations, without notifying federal aviation officials, airport managers, and most importantly, its passengers. The airline left hundreds of passengers stranded and countless other future travelers with unusable tickets. My office has received dozens of calls from passengers who were unable to get an answer from aviation officials, the airline, or the banks as to how to get their money back. To this date, they have not been given a guarantee that there are sufficient funds available for a full a refund.

While I understand that some passengers who paid for future travel with a credit card have been reimbursed, my primary concern is for travelers who paid using cash, check, or a debit card. The now defunct airline simply told passengers to send a letter to both Valley National Bank and United Bank of St. Petersburg with their information. However, it has come to my attention, and has been reported publicly, that both institutions have shirked responsibility for repayment.

There are laws on the books meant to protect passengers in the event a private charter suddenly discontinues service. Department of Transportation regulations require air carriers to keep paid fares in an escrow account until a passenger has completed his or her itinerary, ensuring the money can be recouped should arrangements suddenly change. It is clear to me this has not occurred and Southeast Airlines did not live up to its agreements, because both banks refuse to confirm the completeness, or merely the existence, of these accounts. It appears Southeast Airlines had a troubled financial history, which further leads me to believe that there will not be enough money for full reimbursements.

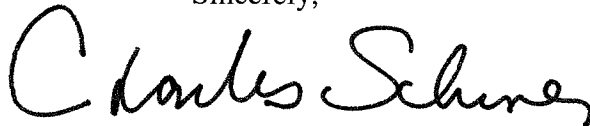
This situation brings to light a troubling reality in the airline industry and, I believe, forces action. I do not think this lack of consideration and preparation is limited to Southeast Airlines, or the public charter sector. Along with my immediate concerns for Southeast Airlines' passengers, I am skeptical that major legacy carriers have the resources or a sound procedure in place to compensate passengers in the event of default.

I believe that, given their financial health, several of the major air carriers may be forced to suddenly liquidate, leaving millions of passengers with outstanding and expensive tickets. I urge your office to conduct a full investigation to ensure the airlines are prepared for and the traveling public well aware of the consequences of a major carrier ceasing operations, and to recommend steps all parties can take to limit future damages.

Again, I hope you will take up this issue as soon as possible and I pledge my support to help you resolve it. I think we should know now if the airlines have done enough to protect their loyal passengers, and what steps need to be taken in future to limit any financial losses for innocent passengers.

Please contact Joshua Vlasto on my staff at (202) 224-4960 should you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Charles E. Schumer". The signature is fluid and cursive, with the first name "Charles" being particularly prominent.

Charles E. Schumer
US Senator